

**12th IACC
WORKSHOP REPORT**

Number and title of workshop: 2.3. Health and Corruption

Date and time of workshop: 16 November 2006; 15:00

Moderator: Susanne Tam, TI Israel

Rapporteur: Reinhold Elges

Panellists (Name, institution, title)

Maureen Lewis, PhD	Advisor, Human Development Network, World Bank
Roger Bate, PhD	Resident Fellow, American Enterprise Institute and Co-Director of Africa Fighting Malaria
Roy Poses, MD	President, the Foundation for Integrity and Responsibility in Medicine (FIRM) http://www.firmfound.org/ Associate Clinical Professor of Medicine, Brown University

I. Main Issues Covered

The Workshop explored the issue of health and corruption in the context of the IACC theme "Towards a fairer world: why is corruption still blocking the way?" The Workshop sought to produce and advocate effective anti-corruption strategies in the area of health care and health administrations to improve prospects for a fairer world. Panelists discussed obstacles that block health care systems from being free of corruption and how these obstacles can be overcome.

Specific issues covered included

1. Problems in health care ethics and with health care corruption
2. Specificities of health care corruption and governance in developing countries
3. The importance of tariffs as barriers to vaccine and drug delivery
4. A physician's approach to health care corruption in the US

II. Presentations

1. Health Care Corruption and Governance in developing countries: what do we know?

Fighting corruption in big ticket infrastructure is a constant concern for governments, donors and contractors. But in service delivery efforts like health care where investments are meant to improve people's lives, these same concerns fall off the agenda. This may be because governments,

donors and philanthropists underestimate the challenges of governance in health care delivery, or perhaps where lives are at stake they simply overlook corruption and poor governance as a cost of doing business.

Yet health care is no more immune to governance problems than any other sector. The rush to endorse the MDGs and translate these goals into real programs has largely overlooked the limited ability of institutions to deliver. The need to identify and address corruption and weak governance is often lost in the commitment to raise funds and expand services. Yet numerous studies have documented such problems, for example, in the procurement of health supplies, in under-the-table payments for services, and in nurses and doctors who fail to show up at their Clinics but nonetheless collect their salaries.

Fortunately, mechanisms exist for addressing these types of problems. These include better management, improved logistics and information systems, and strengthened accountability. None of these measures is easy but they are necessary to ensure that the billions of dollars in donor funding now pouring into developing country health initiatives reaches the intended beneficiaries.

2. Taxed to death: Tariffs and other barriers to Vaccine and drug delivery

Less than a third of the world's population has access to essential medicines. The reasons for this are myriad, and include the high cost of drugs, poverty and poor medical and transport infrastructure and few trained medical staff. But border tariffs and the corruption encouraged by such tariffs significantly lower access to medical interventions, without providing much in the way of revenue for most countries. Roger Bate's paper discussed these problems, with recent empirical evidence, and how some countries have removed tariffs and increased access to medicines.

High tariffs on medicines can result in aid flows being channeled to the wrong places: aid organizations and NGOs tend to avoid places with high tariffs, which are commonly those with poor governance and poor health services, in other words, those in need of such aid. Instead, donated medicines might flood societies that don't need them and thus undermine domestic health systems (see Botswana). "According to a specific dataset (see AEI website), lowering tariffs on medicines by one percent increases access to those medicines by one percent." (Note that the data is not considered significantly robust by the researchers to draw specific conclusions on increased access from reducing in tariffs.)

Bate concluded that state imposed barriers to access can and should be removed immediately.

3. Healthcare Corruption: the Doctor's dilemma

In the US, and many developing countries, health care is beset by rising costs, declining access, stagnant quality, and dissatisfied professionals. Interviews with professionals and a variety of case-based data suggest that corruption may be an important cause of these problems, yet one that is rarely discussed, particularly not as a systemic problem. In the US, even vivid cases of corruption have been discussed only locally and are virtually unknown elsewhere. There are several plausible causes for this "anechoic effect." Yet it will be hard to combat corruption until there is wider recognition that it is a systemic problem. Until the issue is widely discussed, solutions are unlikely to be conceived of and implemented.

III. Main Outcomes

Health care provision is an important tool to achieve the MDGs. While more funds are coming on stream annually in support of the MDGs, in areas of weak governance, increasing health budgets might not increase access to health care but increase corruption. Improving the systems and freeing them from corruption and mismanagement would be a significant step to achieve the MDGs and to use public funds responsibly.

It is important to realize that health care is no more immune to governance problems than any other sector. The key problems in health care provision are lack of accountability and wrong incentives in the system. The information gap between doctors and patients allows for the abuse of entrusted power for private gain. A rough rule of thumb is that the poorer the country, the bigger is the information gap.

Ethics play an important role: the health system is often (and falsely) put on a pedestal, perceived to be infallible and incorruptible, which facilitates cover ups and the prevention of reform efforts. Corruption in health provision differs in developing and industrialized nations, yet the complexity of the systems concerned defies simple solutions everywhere; health sectors need to be reformed one step at a time. One challenge is related to information management. There are information gaps among health care managers (executives, bureaucrats), doctors, and patients and the gaps between the first group and either doctors or patients are about different kinds of information, but possibly just as important as the well-known gap between doctors and patients.

Privatization constitutes both a problem and possible solution of corruption in health care provision: public hospitals are often badly managed and feature a total lack of accountability, which can be addressed with privatization and management reform that includes clear oversight mechanisms; on the other hand, privatization of services does not automatically remedy this issue, but might actually result in worsening of services and can limit the availability of services in remote areas.

Lowering tariffs on medicines leads to the increase in access. Tariffs on medicines are particularly harmful to those who need them most. While they constitute only a small proportion of government revenues, tariffs have proven to be persistent. Yet cutting those tariffs appears to be a reasonable and effective way to improve access to medicines.

One of the key challenges to reform is lack of awareness and thus lack of pressure on decision makers to address corruption and mismanagement in the health systems. Complexity of the issue, but also outdated reverence for both the profession and for health care institutions (in the US, there is currently more reverence for the institutions than for the medical profession), pervasive “conflicts of interest” and misperceived political correctness prevent reform efforts. Even scandals do not lead to public outcries and comprehensive answers: in the US, even big cases of corruption have been discussed only locally, and not as systemic problems, which hampers a systematic approach to remedy the problem. Whistleblower protection is a key to fighting health care corruption, as it might well lead to more reporting of instances of fraud and thus help to fully grasp the nature and dimension of health care corruption.

IV. Recommendations, Follow-up Actions

A general lesson is that management reform in both the public and private sectors and in developing and developed countries would help improve the situation. Management reforms in the public health sector in developing countries, especially in the management of hospitals, can improve the state of poor service provision. Lack of authority of hospital CEOs prevents accountability. Pricelists and e-procurement can significantly reduce the costs of the provision of medical services.

Report cards have a good track record in the education sector and could provide a powerful tool to improve service provision in the health sector as well. Report cards engage citizens and raise their awareness of public services they are entitled to and of the roles and duties of the various actors involved. They help to identify the weak points and problem spots in the system. And they can generate pressure and momentum for change. However, there are many technical obstacles remaining to the successful implementation of report cards, including lack of instruments in many important clinical areas, and severe measurement issues that risk perverse incentives.

In light of the link between tariffs, corruption and lack of access to medicines, TI and WTO should collaborate on tariff matters. Moreover, increased competition (including competition between generic and research-based drugs) has lowered prices considerably. Increasing competition further could consolidate the pharmaceutical sector which in turn could ensure it is providing the services and products needed. Access to information is essential for such markets to function properly.

Transparency is thus just as important in addressing health care corruption as it is in addressing corruption in other sectors. One place to start is to require detailed, specific disclosures of all conflicts of interest affecting all health care decision makers, not only doctors, but also managers, based on rules that are conceptually similar for all such decision makers.

Signed Reinhold Elges